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A RADIO DISCUSSION OF

# DEFENSE ECONOMICS

LEO M. CHERNE
HAROLD G. MOULTON
SUMNER SLICHTER

370th BROADCAST IN COOPERATION WITH THE NATIONAL BROADCASTING COMPANY · 158

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# ROUND TABLE

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**No. 158**

## NOTE

*The supplementary information contained in the footnotes to the following text, developed by staff research, is not to be considered as representing the opinions of the* ROUND TABLE *speakers. Following the transcript of the broadcast are questions which readers may wish to use for analysis and discussion. It is hoped that teachers and discussion leaders may find this additional service of the* ROUND TABLE *transcript helpful in their study of the subject discussed in the broadcast.*

# DEFENSE ECONOMICS

## A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST*

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* A radio discussion broadcast from Washington, D.C., over the Red Network of the National Broadcasting Company, Sunday, March 23, 1941, at 2:30 P.M., Eastern Standard Time.

The ROUND TABLE, oldest educational program continuously on the air, is broadcast entirely without a script. Subjects are chosen because of their social, political, or economic significance. The program has no "ax to grind." In the selection of speakers, the effort is to provide a balanced discussion by participants who have special competence and knowledge. The opinion of each speaker is his own and in no way involves the responsibility of either the University of Chicago or the National Broadcasting Company.

# DEFENSE ECONOMICS

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MR. CHERNE: The statistics of crises are the statistics of death. It cost Julius Caesar about 75 cents to kill one enemy soldier. In the Thirty Years' War, during the seventeenth century, the cost rose to $50 for each fatality. In our own Civil War each human life ended cost $5,000. The real meaning of modern warfare can be realized from the fact that in the World War the cost rose to $25,000, and, with our meager statistics, it is estimated that in the present war the cost for each man killed already runs over $50,000. I think it can truly be said that never before has death been valued so highly or life so cheaply.

Since we are to discuss how much our defense will cost, how this country is going to pay for it, and its consequences for the average American, I think you, Moulton and Slichter, ought first to say how large you estimate the expenditure for the next year will be.

MR. MOULTON: There is a very great deal of confusion on this subject and it is quite impossible to give any precise answer. The confusion arises largely from the fact that the appropriations made by Congress in the very nature of the case must extend over the life of the ordnance, or airplanes, or naval vessels, which are to be constructed. So we can't pay any attention whatsoever to the total volume of appropriations made thus far.

MR. CHERNE: How much do you guess will be spent?

MR. MOULTON: The amount will be determined primarily by the speed with which the armament production program can be carried through. That is a technical production and engineering

problem, as you well know. It involves the question of plant capacity, and the supply of skilled labor, and the adequacy of materials—the problem of bottlenecks generally.[1]

But answering your question directly on the basis of the record thus far, I would estimate (with no great degree of certainty) that the defense expenditure proper will probably run something like $10 billion to $12 billion in the fiscal year beginning this July.[2]

MR. SLICHTER: I would put it a little higher. I agree that it is primarily a production problem, but I noticed that Mr. Knudsen estimated the day before yesterday that we could produce about $13

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[1] *For other recent* ROUND TABLE *programs discussing aspects of national defense, see the list of suggested readings on page 23 and of past broadcasts on page 28.*

[2] *July, 1941, through June, 1942; in his budget message January 8, 1941, President Roosevelt charted federal expenditures for the 1941–42 fiscal year at $17,485,528,049, of which nearly two-thirds was earmarked for national defense, the remainder going to meet fixed charges and the costs of operating the government's regular functions. The shift in national defense items is best shown by the chart the President included with his message:*

| *Defense Appropriations* | *Estimate, Fiscal Year 1942* | *Estimate, Fiscal Year 1941* | *Actual Expenditure, Fiscal Year 1940* |
|---|---|---|---|
| *Navy Department* | $ 3,447,394,000 | $2,136,303,300 | $ 891,484,523 |
| *War Department* | 5,956,600,600 | 3,845,665,700 | 667,138,364 |
| *Other agencies* | 407,320,000 | 381,954,900 | 21,282,539 |
| *Supplementary* | 1,000,000,000 | 100,000,000 | ..... |
| *Defense Total* | 10,811,314,600 | 6,463,923,900 | 1,579,905,426 |

billion, not counting aid to Britain.[3] I also noticed that the machine-tool industry (which is one of the most important bottlenecks) recently raised its estimates for 1941 by 25 per cent. Generally, the plant construction programs around the country are doing better than has been expected, so I think I would put the figure at around $15 billion. In making plans for taxes it is better to be on the high side than on the low.

MR. CHERNE: I not only agree with you, but I am inclined to extend that probability even farther, looking for an actual expenditure in the next fiscal year of anything running from $16 billion to $20 billion.

We are talking in billions. It is difficult not only for the non-economist to understand a billion, but I am not quite sure that *we* know how much a billion is. The real question is whether or not these sums, if spent, can compete with Germany's expenditure for armament.

MR. MOULTON: I don't know the difference between a trillion and a billion although I used to know the difference between a dime and a dollar. I don't think we can say whether we can compete with Germany, because we don't have sufficient knowledge about just how rapid and effective Germany's further mobilization and war production program is.[4]

MR. SLICHTER: But we do know that we are competing with an entire continent, and that Germany is rapidly drawing into its own factories the skilled labor of France, Denmark, and other countries.[5] If the Germans are producing 3,000 planes a month, we must

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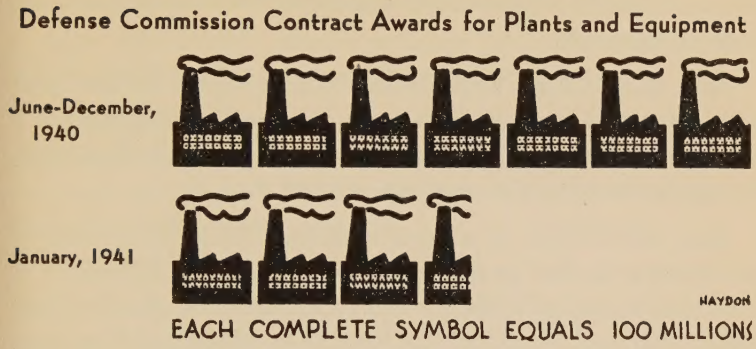
[3] *William Knudsen, Director of the Office of Production Management and former General Motors' executive.*

[4] *See illustration, page 11.*

[5] *Announcements have recently appeared of economic agreements between French and German industrialists, coordinating the industries of the two countries. On the* ROUND TABLE *broadcast, February 16,*




produce 7,500 in England, Canada, and this country to give an effective bombing superiority of about two to one; and the Germans are sinking and destroying vessels five times as fast as we could produce them if we used all our shipbuilding capacity.

MR. CHERNE: Actually, I think our problem resolves itself to the fact that our factories, as well as public opinion, are not moving as fast as the defense requirement would have them move.

MR. MOULTON: That's right! And that is why I am not so hopeful as you are of a defense program that will run from $16 billion to $20 billion in the next year.

MR. SLICHTER: But it gives us a lot of slack. We only have about 10 per cent overtime in the defense industries today. One-third of the defense factories are still on five days a week.

MR. CHERNE: That brings up the problem of what will happen to our economic life, or to the average way of living, if we do meet these estimates. What changes must be made in our mode of living

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*1941—"Guns or Butter?"—it was stated by a National Defense Advisory Commission expert that the German-conquered areas of Europe are supplying more war goods to Germany than the United States is supplying to England.*

to accommodate this vast defense program? We must make adjustments. I think it is important to understand just what adjustments may be necessary.

MR. SLICHTER: Well, the $15 billion program for next year would not make so much difference in the standard of living, but if we go on from there to win the production race with the Continent, it is going to cut so that everyone will feel it.

MR. MOULTON: It is only a question of time until we have to cut into our normal consumer requirements, and it still might be true that in over-all terms the total consumption of the American people might not be reduced; but it certainly will have to be reduced in connection with the basic war supplies.

MR. CHERNE: Do you think there is any possibility that if we spend $15 billion next year our standard of living will remain as it is today?

MR. SLICHTER: Oh, no! In many respects it will remain the same, but certain parts of industry will be very much affected. It is equivalent to adding two automobile industries right off the bat, and it is going to make certain things difficult to obtain: not the essentials of life, but automobiles are not going to have nickel trim on them, and they are not going to have aluminum pistons; and pots and pans are going to be hard to get.[6]

MR. CHERNE: Your mention of aluminum brings to mind an adjustment one of the major automobile companies made just a few months ago. In preparing the 1941 models, they loaded them with as much chromium and nickel plate as they could possibly put on a car, in order that future style changes could be made by simply peeling off that gingerbread chromium decoration and grill work.

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[6] *Edward R. Stettinius, Jr., Director of Priorities for the Office of Production Management, signed a special preference order March 21, extending and strengthening priority control over aluminum, including aluminum alloys.*

MR. SLICHTER: Of course, we are not going to lose only aluminum and chromium; we are going to have fewer cars.

MR. MOULTON: Already we know that orders are out which will restrict household consumption of aluminum.

MR. CHERNE: I think we are making a very important point that is too little understood. The defense program's cutting in on the way we have been accustomed to doing things will not occur *tomorrow;* it has already occurred.

MR. MOULTON: It is in the process of beginning right now, and it will grow as we go forward. It will bring qualitative rather than total quantitative changes.

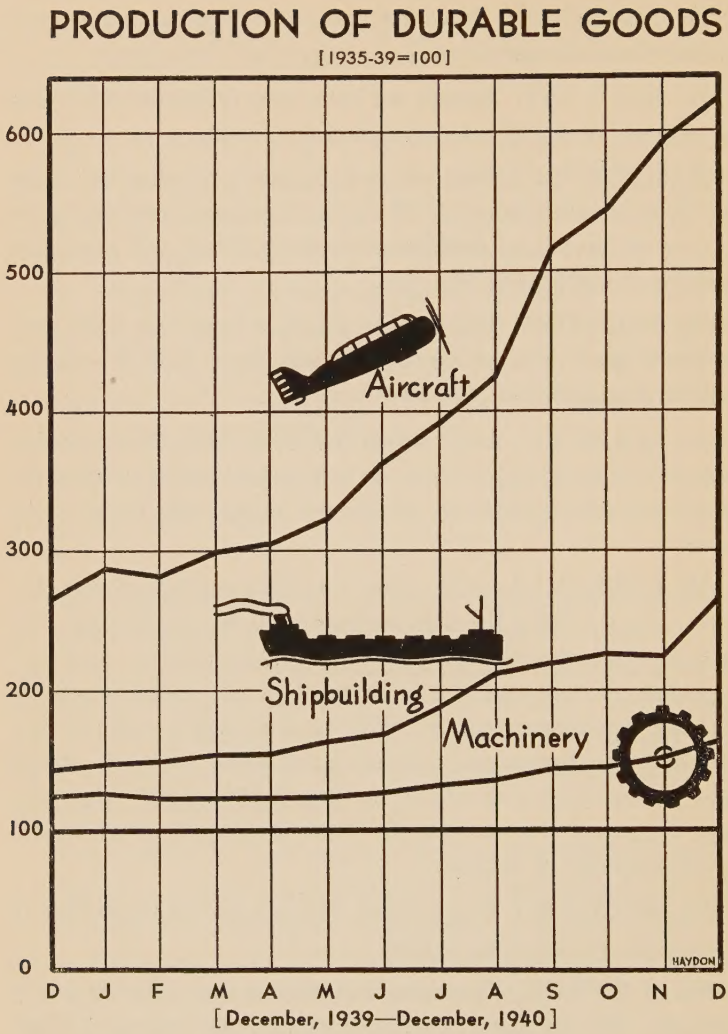
MR. SLICHTER: About a year from now, when we are running ahead of Continental production, we will be short of labor in all of the nondefense industries, and nondefense goods will begin to be scarce.

MR. CHERNE: I would rather not look a year ahead, but concentrate on the effect the defense program is already having. The machine tool is the fulcrum of all industrial production. Few people realize that the machine tool cannot be sold today to anyone other than a defense producer. Without the machine tool you cannot perfect an invention; without the machine tool you cannot process a new style; without the machine tool you cannot improve a single thing needed in our civilian life; and today the machine tool is available only for defense.

MR. MOULTON: That's right! That's a perfect illustration of the problem we are going to face.

MR. SLICHTER: Of course, that reaches the consumer pretty indirectly. His food hasn't been affected yet, and perhaps it won't be unless we have to give large quantities to Great Britain.

MR. MOULTON: Whenever we face a bottleneck, whenever we face a situation in any industry where we cannot provide the entire war supplies necessary and at the same time provide the




civilian requirements, the civilian requirements have to give way.[7] Is that right?

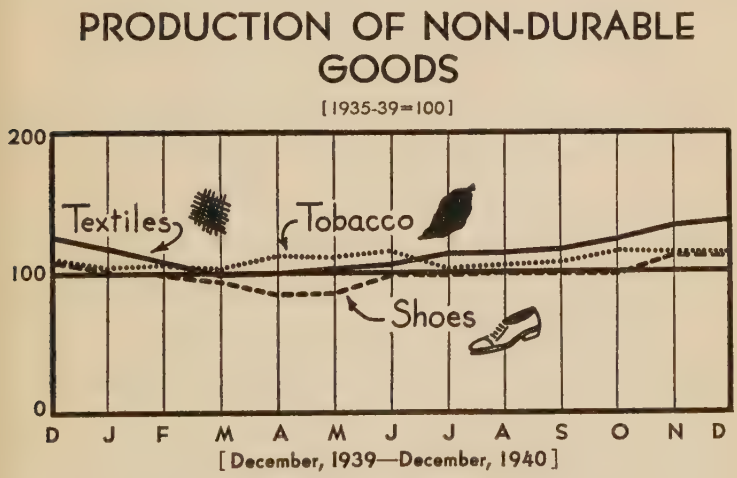
[7] *For a fuller discussion of this problem, see the* ROUND TABLE *of February 16, 1941, "Guns or Butter?"*

MR. CHERNE: I'd back you up on that.

MR. SLICHTER: I think everyone would.

MR. CHERNE: That brings us to one of the major problems which is being raised by many people. They ask: "How are we going to pay for this vast defense program? Must we have an enormous increase, for instance, in the public debt? If so, can we pay for it by increased taxes or will we have to float compulsory bonds?"

MR. MOULTON: I notice you put it in terms "*must* we have an increase in the public debt?" If we may project this forward over a period of two or three years so that the lag in collection of taxes won't be so serious, I should say it is quite possible for the United States to pay for this program entirely out of taxes, if that is decided to be wise national policy. I say that because, to balance the com-




bined federal, state, and local government budgets (assuming we have a national income of $90 billion, which is forecast, more or less, in this general increase in productive schedules all along the line), we would have to take only 25 per cent of that income.

MR. CHERNE: You sliced off a mean piece of taxation there! Isn't it true that, if we tax to the extent you have indicated to be desirable or possible, if, in other words, we tried not only to pay for the cost of defense but to balance the budget at the same time, might you not so injure civilian morale, might you not make it so impossible for industry to function, that the defense program would go by the board?[8]

MR. MOULTON: I don't think so. England, for example, is taking as much as 30 per cent without that result.

MR. SLICHTER: England knows it is in a war and we don't.

MR. MOULTON: All right! When we know we are in the war, then we can face this taxation problem in real earnest; but whether we are in the war or not, we've got to pay for this as we go.[9]

MR. SLICHTER: I would not agree, I think, that we ought to pay for the whole thing with taxes, even if we could politically. I think it is a good thing for millions of Americans to get some kind of an asset in return when they help finance the defense program.

MR. MOULTON: Of course, when they get an asset in return they are really not paying for it; they are really not sacrificing.

MR. SLICHTER: They are saving.

MR. MOULTON: They are piling up debts for the post-war period, don't forget that! Somebody sometime has to carry that.

MR. SLICHTER: They are piling up bonds which they will sell to savers later on for the purpose of making the postponed pur-

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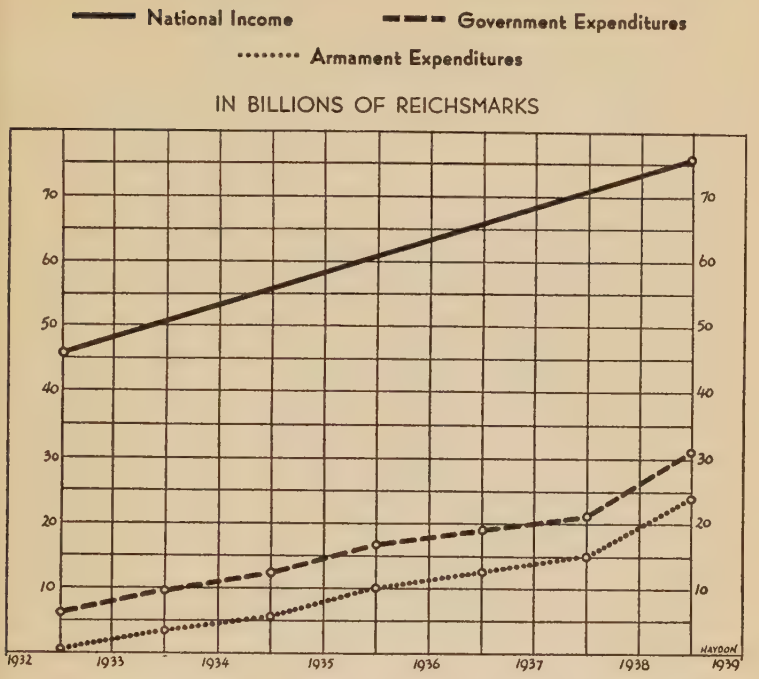
[8] *The Curtiss-Wright Corporation, in announcing a 199 per cent increase in profits in 1940, also stated the corporation's taxes had risen from $2,500,000 in 1939 to nearly $31,000,000 in 1940. Despite this fact, profits rose from $5,000,000 to $16,000,000, shipments rose 185 per cent, and the backlog of orders 400 per cent.*

[9] *For a broad discussion of the fundamentals of tax policy, see the* ROUND TABLE *broadcast, "Taxes," November 19, 1939.*




chase of a car, and making the first payment on a house, and taking a postponed vacation trip. They will help stabilize our economy in the years after the war.

MR. CHERNE: Moulton, I would like to tackle you on your concern about post-war problems. I think a primary concern for any of those engaged in the present war is to make sure there is a civilization left after the war rather than how that civilization is going to be used. I doubt whether a soldier standing in a front line (whether that soldier is English or Greek) will hesitate before he fires the bullet to ask himself, "Will this bullet unbalance the budget?"

MR. MOULTON: We are not asking, as I understand it, what

the soldiers at the front will think. It seems to me we are talking about what is sound national policy, and I am saying it is sound national policy to go just as far as we possibly can toward paying for this war during a period of very high national income.

MR. CHERNE: Provided that does not interfere with this process of building defense.

MR. MOULTON: That's right!

MR. SLICHTER: I would like to see about $15 billion or $20 billion of bonds, held by small Americans, liquidated gradually after the defense effort is over and peace is being made. It would be a very stabilizing influence. I would like to see every trade union and every employer given a chance to sell these bonds to millions of smaller Americans.

MR. MOULTON: The higher national public debt after the war is over will be an unstabilizing influence, and you have to take your choice between maintaining as great a degree of financial stability as possible in the interest of enabling us to come through this struggle with only a bit of dislocation or you will put your emphasis upon other factors which you hope will help us out in the future.

MR. SLICHTER: No, I don't agree! Suppose we have a gain in the public debt of $20 billion, and suppose the interest rate is 3 per cent; that means an annual charge of $600 million. That would be far offset each year by the liquidation of the bonds.

MR. MOULTON: But if you are going to liquidate the bonds you have to liquidate them out of revenues; you have to have a balanced budget in the first place.

MR. SLICHTER: You are worried about too much saving.

MR. MOULTON: In addition to the growth of public debt during the war, let's not forget that all these armament expenditures of every kind and description are going to involve increased operating expenses in the post-war period as well as during the war.

MR. CHERNE: England is making no effort to pay for its defense during the period of defense by the pure process of taxation.

MR. MOULTON: I don't think you can say they are making no effort when they are taking 30 per cent of the national income. If we make an effort comparable to that which Britain is making we will be able to emerge from this war with a high degree of stability.

MR. SLICHTER: Of course I don't want you to think I am against taxes. I think my own tax ought to be tripled, and I think that half of the defense program at least ought to be paid by taxes. That will involve increasing taxes 50 per cent this year.

MR. MOULTON: As a practical proposition I would agree that we will have to resort in part to the kind of bonds you mentioned, and I agree with you completely that they ought to be bonds sold to the public and not paid for out of bank loans.

I would like to ask Cherne (who follows this sort of problem in legislative channels) what he thinks is the outlook for taxes in the coming months.

MR. CHERNE: Unfortunately, Congress is very, very far away from the agreement that exists between us on the need for raising a good deal of the defense revenue by taxation; but in the field of political probability, here is what I see before the present Congress adjourns: I see the next tax law taxing the smaller earner at a base tax rate of 6 per cent in place of the present 4 per cent. I see a slight probability that the married person's exemption may be lowered below the $2,000 to which it was brought at the last session of Congress. I think corporations are going to pay a rate of 30 per cent rather than the present 24 per cent.

MR. SLICHTER: That is not real taxation. At the present time only one out of five automobile drivers pays a tax. A man does not pay an income tax today if he has three kids until he gets $3,200 a year. $3,200 is a very good income. I think at least one-third of the gainfully employed ought to pay an income tax.

MR. CHERNE: Let's try to reduce this tax probability at this

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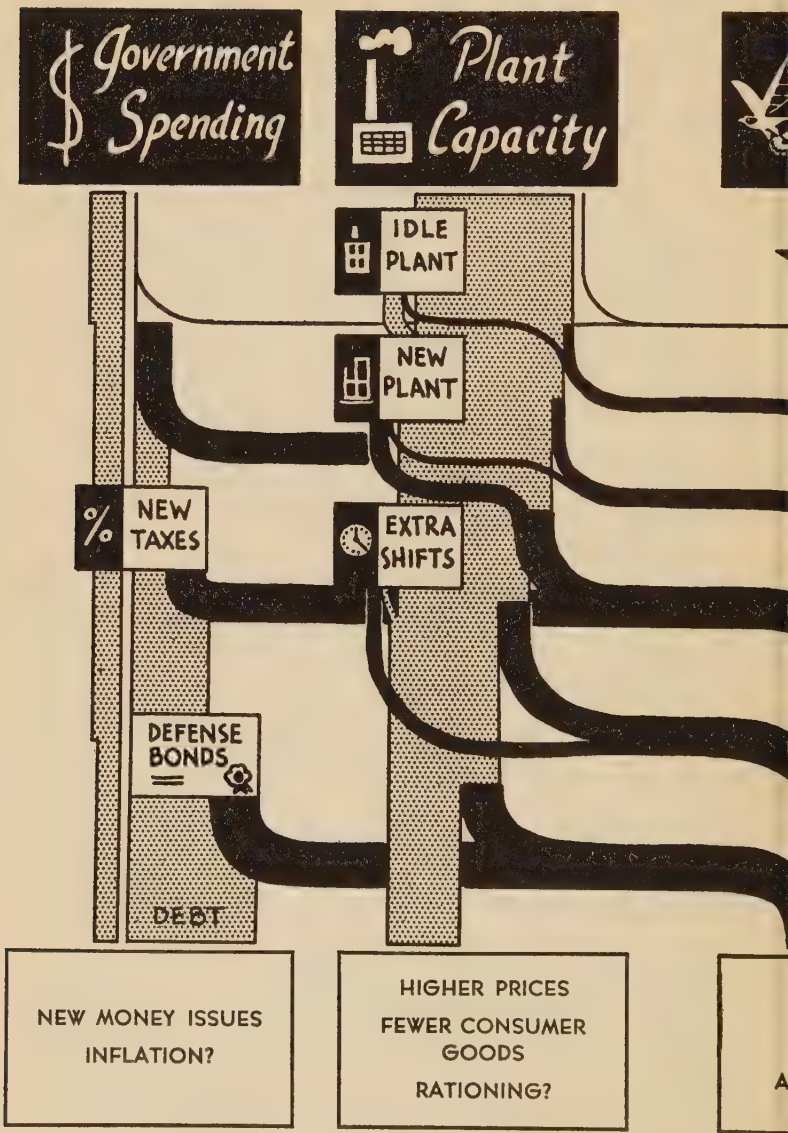


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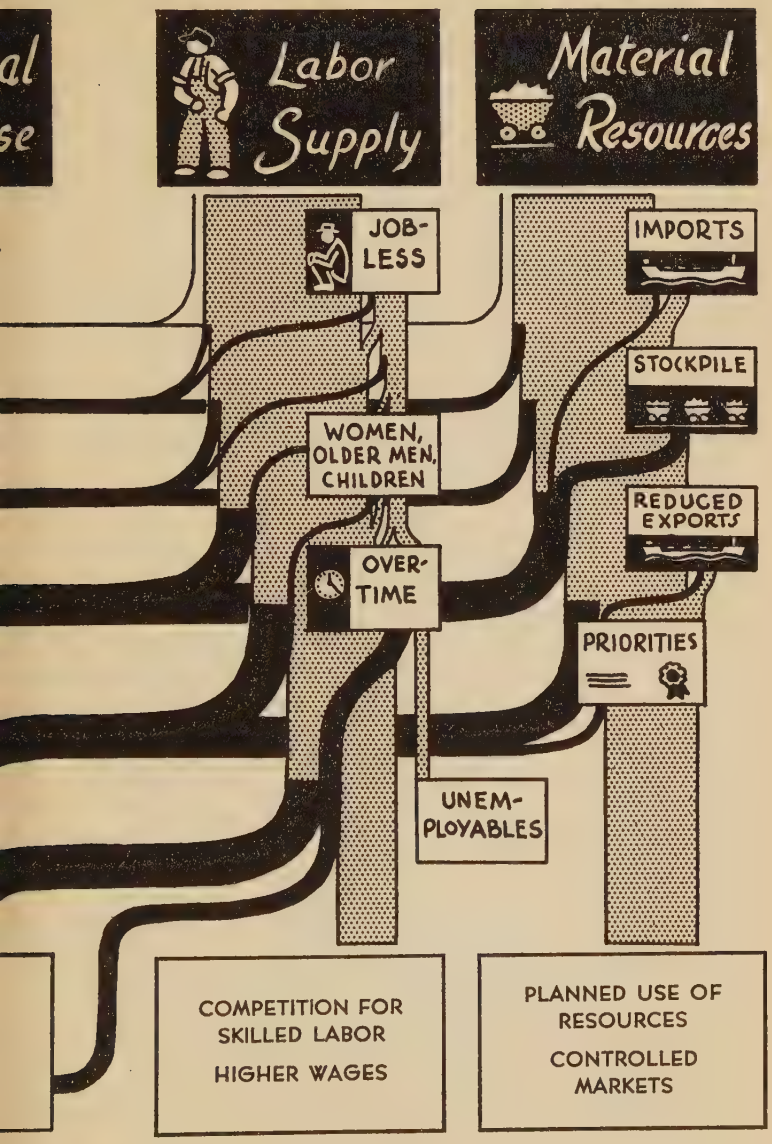


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session of Congress to what it will mean to us—to what it will mean to those who will earn $1,000 or $2,000 or $2,500.

MR. MOULTON: Put it in terms of so much per week, or something like that.

MR. CHERNE: That's right! Let's assume that the tax rate is raised to 6 per cent, and let's assume that your suggestions are followed and that the married person's exemption is pulled down to $1,500, the single person's exemption is pulled down to $600, and children and dependents will bring an exemption of only $200. How much will the average individual pay? Can we pay for defense by that method?

MR. SLICHTER: No, not begin to. A man with $2,400 a year (which is a pretty good income) would only pay a tax of $18 a year. That is $1.50 a month for a man with $2,400 a year.[10] The big income flows are down around $2,000 or $3,000.

MR. MOULTON: By "big income flows" you mean a large proportion of the total national income?

MR. SLICHTER: Exactly!

MR. CHERNE: The term "income flows" I am afraid is not only over the heads of most of our listeners; but, very frankly (and that is why I include them), it is over my head, too.

MR. SLICHTER: Well, the "Mississippi River" of income is down at about $2,000 or less.

MR. MOULTON: What he means to say is that the people who get the large incomes, after all, do get a comparatively small proportion of the total income at the present time.

MR. CHERNE: And there is no probability of our taxing those people more than we have already taxed them. Isn't that true?

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[10] *In Professor Slichter's example the tax would be $18 a year after deductions for a wife and three children.*

MR. SLICHTER: The people with $25,000 or more already pay two-thirds of the total income tax revenue, and that source of income is just about dried up.

MR. CHERNE: What would you suggest?

MR. SLICHTER: Begin taxing me, and other fellows like me, and the fellows down below.

MR. CHERNE: Here are four other possibilities: There is the possibility of a federal sales tax; there is the possibility of taking a gross income tax right out of the payroll, with the employer checking it off in the way he now does with the payroll tax; there is the possibility mentioned before of something comparable to the Liberty Loan drive; and then there is the fourth possibility I would like to explain a little, which is called the "purchase tax."

MR. MOULTON: Before you explain that, let's discuss the federal sales tax. Are you in favor of the federal sales tax?

MR. CHERNE: No.

MR. SLICHTER: No.

MR. CHERNE: How about you, Moulton?

MR. MOULTON: I do not favor it.

MR. CHERNE: Then we all agree on that, and I think it ought to be added that there isn't a great probability that Congress, this year or next, will enact a federal sales tax.

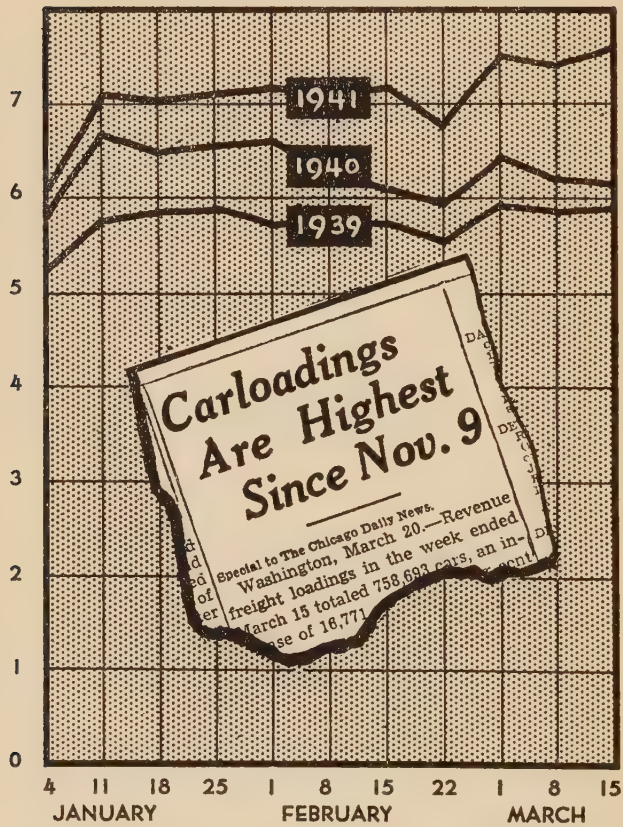
MR. MOULTON: What about the practicability of taxing the payroll?

MR. SLICHTER: That would be a simple tax and it would yield a large amount. Payrolls run about $45 billion a year; we could get $2 billion from such a tax.

MR. CHERNE: Are you in favor of that?

MR. SLICHTER: Yes, but I am also in favor of the base rate of income tax: not of 4 per cent, but of about 12 per cent.

# A MEASURE OF BUSINESS ACTIVITY




MR. MOULTON: Cherne, what is the "purchase tax"?

MR. CHERNE: The purchase tax is a sales tax on specific commodities for two purposes: not only to raise revenue, but also to discourage consumption.

MR. MOULTON: You mean the luxury tax, as we usually call it?

MR. CHERNE: It is not only imposed on luxuries, but it may be imposed . . . .

MR. SLICHTER: . . . . on silk stockings.

MR. CHERNE: That's right.

MR. MOULTON: Is that a luxury?

MR. SLICHTER: They may be considered a luxury in war times, but I fear that today our women don't consider them a luxury.

MR. CHERNE: You would impose a tax of 300 per cent, if necessary, on each pair of silk stockings.

MR. MOULTON: And put a tax on automobiles, for example.

MR. CHERNE: That's right—to discourage the use of these things.

MR. MOULTON: You would favor that?

MR. CHERNE: I will not only be for it in a defense economy, but I am almost ready to say that the purchase tax plan will be used in part before this Congress is finished.

MR. MOULTON: That combines two features, doesn't it? It combines the revenue feature (which is perhaps least important), and it also helps to shift from war-and-peace industry to war industry.

MR. CHERNE: That's right! What do you think of the economic possibilities, Slichter?

MR. SLICHTER: It does help eliminate shortages, and it does help release productive capacity for war purposes.

MR. CHERNE: The problem of taxation is intimately joined with the next problem, inflation. Every war in the past has been accompanied by inflation. Must the average man again resign himself to paying $20 for a pair of shoes, 50 cents for a pound of sugar, and 30 cents for a package of cigarettes?

MR. MOULTON: I think the situation in this respect is very much better than it was in the past war. However, unless we follow sound fiscal methods which have been discussed here (particularly by Slichter) we will have an inflationary force; but, in addition to that, a very direct factor bearing upon the inflation problem is the increase in wage rates.

MR. SLICHTER: The increase in wage rates, as I understand it, is not a serious problem as long as any portion of the laboring population is unemployed. Am I misled?

MR. MOULTON: I think you are. It is a very important problem right now. For example, in the coal industry they have been considering an increase of a dollar a day in wages. That isn't because there is a shortage of labor in the coal industry. That is just a plain agreement.

MR. CHERNE: The average person (the worker and the housewife) is pretty firmly of the belief that industry is going to make pretty heavy war profits and labor feels that this is a time for it to be cut in for a share.

MR. SLICHTER: I don't think industry is going to make very big war profits. One must remember that in the last war there was one good year of profits, 1917, and then profits fell in half, and we have started out now with profits abnormally low. There has never been a year since 1929 when half of the corporations of this country were in the black.

MR. CHERNE: I think it very important to mention that point, because the impression is common that industry made big profits.

MR. MOULTON: And if what you say of the new tax proposals in Congress—up to 30 per cent. . . . .

MR. CHERNE: Not only 30 per cent normal tax, but they will so tighten up the excess profits tax that they will get almost every dollar of excess profits.[11]

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[11] *See footnote 8, page 10.*

MR. MOULTON: That hasn't any bearing on the question of whether wages ought to be raised because there are big profits.

MR. SLICHTER: I don't think labor's stand on wages ought to be misunderstood. I think the union leaders of this country are interested in stability as much as anyone else, and they take a long view of this wage problem in most cases.

MR. CHERNE: What would be the solution to the problem of wages as it bears on the threat of inflation?

MR. SLICHTER: I would not raise wages except where it is necessary to move men into new locations or to attract them into defense industries. Keep them about the same.

MR. CHERNE: When you say you would not raise them, actually there is no authority in the federal government today with the power to say that you cannot do it.

MR. SLICHTER: They have to be bargained up.

MR. MOULTON: It occurs in connection with the negotiation of new wage contracts, which extend over a year or two.

MR. SLICHTER: It would be desirable, I think, to have a national wage policy—an agreement on the elements of a national wage policy between organized labor and the employers of this country on the order of the Canadian wage policy.

MR. CHERNE: I understand that the Canadian wage policy has been working rather well, and I am surprised, as a matter of fact, that I have heard very little discussion of the desirability of a wage policy either in industrial circles or in labor circles, and I haven't even heard the phrase mentioned in government circles.

MR. SLICHTER: I think you are going to hear it mentioned because we cannot have a successful defense program without it.

MR. MOULTON: That is the first task for the new Mediation Board.

MR. CHERNE: I think all of these facts have brought us to the conclusion that in a defense economy every phase of control and government policy must form a consistent pattern. You can't plan one section of our society without a similar supervision of every other part to which it is joined. You cannot fix the profits of industry or determine in advance the cost of production unless you have a knowledge of what labor's wages will be. You cannot keep the hat on labor if prices are uncontrolled and the cost of living is permitted to shoot up beyond labor's reach. You cannot be sure that the army will be fed and supplied if the railroads may break down, if power may give out, if steel cannot be manufactured fast enough for lack of mills or manganese.

If we solve these problems by successful planning, we can build the greatest defense civilized man has seen; we can pay for it; and we can avoid the specters of inflation, starvation, and profiteering, and emerge from this crisis as healthy as we have ever been.

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## SUGGESTED READINGS


BLOCH, H.-S.; LANGE, OSKAR; HARBISON, F. H.; and LEWIS, H. GREGG, *Economic Mobilization.* Washington: American Council on Public Affairs, 1940. *A discussion of various aspects of the mobilization of America's economic system for national defense.*

DE WILDE, JOHN C., and MONSON, GEORGE, "Defense Economy of the United States," *Foreign Policy Reports,* November 1 and 15, 1940. *Two brief summaries of the problems of raw-material procurement and the mobilization of industry for defense.*

HART, ALBERT G., *Economic Policy for Rearmament,* a "Public Policy Pamphlet." Chicago: University of Chicago Press, 1940. *A summary of some of the more pressing economic problems raised by the national defense program, with a list of recommendations for action.*

KRUEGER, MAYNARD; SPENCER, WILLIAM H.; YNTEMA, T. O.; and the ROVING REPORTER, *Can Capitalism Defend America? A* ROUND TABLE *broadcast, January 26, 1941, discussing the fundamentals of our economic system's ability to produce for defense.*

MOULTON, HAROLD G., *Fundamental Economic Issues in National Defense.* Washington: Brookings Institution, 1941. *Questions on the public debt, inflation, post-war depression, and economic changes as they may be affected by the national defense program outlined with an indication to some possible answers.*

PIGOU, A. C., *The Political Economy of War.* London: Macmillan, 1940 (revised edition). *A revised (and shortened) version of the authoritative book published just after the World War.*

STEWART, MAXWELL S., *How Shall We Pay for Defense?* New York: Public Affairs Committee, 1941. *A Public Affairs Pamphlet outlining some of the fundamental financial problems coming to the fore as a result of the American economy to a defense-war basis.*

## OBJECTIVE QUESTIONS FOR EXAMINATION

*The answers to the following questions may be found in the text of the broadcast, and page references are provided to assist in locating the answers.*

*

1. How has the cost of war risen—in terms of the cost of killing a soldier? Page 2.
2. National-defense and aid-to-Britain expenditures during the coming fiscal year will amount to what total, according to the speakers' estimates? Pages 3–4.
3. How much "overtime"—extra pay for longer hours—is there in the defense industries at present? How short a week does one-third of the industry work? Page 5.
4. How will new automobiles be affected by the defense program—if there *are* new automobiles this year? Pages 6–7.
5. Why is the machine tool so vital to industry? Page 7.
6. British taxation claims what percentage of the national income? Page 10.
7. Name three changes in income-tax legislation predicted by Mr. Cherne. Page 13.
8. What is the nature of the proposed "purchase tax"? What two functions would it fulfil? To what type of goods would it apply? Pages 18–19.
9. New corporation taxes may rise to what percentage? Page 13.

## QUESTIONS FOR ANALYSIS AND DISCUSSION

*The following questions of wider scope, intended for discussion, are suggested by the broadcast, and answers may be found in the literature on the subject listed in the section "Suggested Readings," found on page 23.*

*

1. Why are appropriations for defense for the fiscal year no indication of the amount likely to be spent during that period? Discuss the major factor responsible for the "lag" between appropriations and expenditures.

2. Discuss the statement that the defense program is "equivalent to adding two new automobile industries."

3. In what ways have you already felt the effect of the defense program? What things do you expect to have to do without? For what things will you probably have to pay higher prices?

4. Give your answer to the question: "Can we pay for defense as we go?" Discuss.

5. Discuss the predicted changes in income tax rates and exemptions. How will this affect your family?

6. Do you agree that "one-third of the wage-earners ought to pay an income tax"? Discuss.

7. Discuss the pros and cons of suggested ways of raising money to pay for defense: (1) a federal sales tax; (2) a gross-income tax deducted from the payroll; (3) another "Liberty Loan" drive; (4) a purchase tax.

# The Listeners' Round Table . . . .

*Letters to the* ROUND TABLE *frequently contain interesting and illuminating sidelights on the subject matter discussed on the air. These comments are from letters received following the broadcast discussion of "Strikes and National Defense" March 16, 1941.*

*

## Tricky Management

I am working in a factory making a war product. It is very depressing—we are under this tension of killing more Europeans when we have absolutely nothing against these Europeans, and our factories are helping to slaughter more.

Our factory is about to have a strike soon. This firm we work with has had tremendous business and the last year and a half we have had no raise—haven't asked for one, because we needed the work. We were supposed to quit at 5:30. The boss of the department would say—go out and punch the clock and come back and work for an hour or so, we have to get out this work. Then we are told—come in the morning an hour earlier. This has been going on in every department. Some people say it's labor that is at fault, but we who work in these factories know better. And these firms are so clever, there is no way for the government to check up on them—and certainly one person is not going to squeal. So it's just another strike. We get together—demand better wages, time limit, vacations to make up for those extra hours we never received a cent for.

Unsigned

## Strike News

Today's Round Table was the most absorbing one in a long while—from my own point of view. A healthy discussion of strikes is very necessary in these times. I am interested in the problems of labor—though my job is not one with any grievances.

Lately I've been increasingly distressed by the way the papers in New York City have subtly played down all points that might show the weaknesses of "company" viewpoint.

We are having a bus strike here which threatens to become even more serious. My first sympathy was for the company—but after reading each article very carefully and to the back pages—I've discovered a few things. Friday (the fourth day of strike) I found the first mention of the fact the company wanted to take off all conductors. This fact, if published on the front page the first day instead of on page 20 on the fourth day, would probably have brought a storm of public protest. The front pages have carried the union's demands which, unless closely studied, seem pretty steep. Pity the reader who wants both sides of a controversy.

D. V. S., New York

## Able and Unbiased

I was gratified to hear such an able and unbiased discussion, in non-technical language that practically anyone could understand. The cool, easy, and deliberate manner of the participants added much to the interest and effectiveness of their talk.

G. H., Missouri

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## Repercussions

It's a low, feeble cry from an elderly couple in this fight between labor leaders and industrial tycoons, but I should like it to penetrate somewhere, where it could be heard, although heaven only knows how faintly.

We represent, my husband and I, the very lowest bracket of middle class (or do we?). Our income from savings of many years equals about $2,000 a year. My husband, a man of 71 years, had a good business of his own until the depression.

In listening to your broadcast today I heard of the laboring man who goes on strike now because he wants to put aside money in case of an after-war depression. Will he do so? In 1916 and 1917 the men who earned $100 a week . . . . indulged in all the extravagances of the head of the firm whose actions he now criticizes; and human nature being what it is, he probably will do the same again. Man's besetting sins are envy and selfishness; three-quarters of the world roots for labor and one-quarter for capital while we poor old people (and there are thousands of us) find ourselves crushed between the weights of labor and business. Who cares what becomes of us when, through taxation, our income dwindles to $1,500 a year and living essentials rise skyhigh. It's a small wee voice in the night that I know can't be heard in the din of drums and cannon.

L. R., New York

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## Roving Reporter

In my opinion, the discussion today was one of the best. I've been a listener to the ROUND TABLE for a number of years and think that the presence of the "Roving Reporter" makes a program much more interesting, as he draws out the speakers and asks questions that the auditors would if they could. May I suggest his participation more often?

E. D. W., Illinois

*

## Both Sides

With everybody talking about this subject, and the newspapers giving strikes so much one-sided publicity, it seems to me important that a program such as yours so fairly presents the other side of the picture, as well. I only wish there were more such discussions, reaching even more people than they do.

E. K. S., Illinois

# Should America Convoy to Britain?

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A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST

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MARCH 30, 1941

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**PHILIP F. LaFOLLETTE,** former governor of Wisconsin

**CLIFTON M. UTLEY,** Director, Chicago Council on Foreign Relations

**LELAND C. DeVINNEY,** Instructor in Sociology, University of Chicago

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## SUGGESTED READINGS

"Toward a Merger of the United States and British Fleets," *United States News,* March 7, 1941.

PRATT, ADMIRAL WILLIAM V., "The Arena of the Coming Sea Blitz," *Newsweek,* March 17, 1941.

"Shall Our Navy Aid Britain?" *United States News,* February 7, 1941.

"Should the American Navy Be Used To Convoy Merchant Ships in the Western Half of the Atlantic?" *United States News,* January 17, 1941.

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